Transportation Implementation Working Group (TIWG)
Transportation Funding Statement

Washington State's immediate and necessary response to climate change calls for significant reductions in greenhouse gas (GHG) emissions. The transportation-sector accounts for 47 percent of GHG emissions in Washington State. One of the strategies to reduce transportation-related emissions is to reduce vehicle miles traveled (VMT). Improving vehicle fuel efficiency and reducing the carbon content of fuel are also important tools for reducing transportation related GHG. The Transportation Implementation Workgroup (TIWG) is primarily focusing on developing recommendations on best practices to reduce per capita VMT. Recommendations aimed at reducing VMT must also recognize the importance of freight mobility to our state's economy and will be considered in light of potential negative economic effects on our State's competitiveness. The TIWG is also looking at other transportation-related GHG-reduction strategies as time allows. Implementing the TIWG recommendations will produce significant reductions in GHG emissions and per capita VMT. These reductions will help Washington meet its climate change goals, but has ramifications on revenue available for transportation projects.

*Existing Funding Sources are Declining*

Washington State uses multimodal transportation revenue sources such as a portion of the sales tax on new and used vehicles, weight fees and other sources including the gas tax as the primary methods of funding programs and projects. Seventy-nine percent of Washington State's transportation funding is generated through Washington's 37.5 cent per gallon gas tax and the federal gas tax. The transportation sector's dependence on gas consumption for revenue creates a paradox: as citizens contribute to climate solutions by driving less and using more efficient vehicles, the revenue available for transportation projects declines including potentially those projects designed to reduce GHG emissions and VMT. As evidenced recently, external factors such as increases in price of fuel and improving fuel economy standards result in less fuel usage further reducing available revenue.

The Washington State Department of Transportation (WSDOT) is expecting to receive $252 million less over the next three years due to reduced revenue from the gas tax and other sources. Budget experts predict a continued softening of gas tax revenue in the 09-11 biennium. Many roads and bridges are stretched beyond capacity due to a growing population, growing job markets and an aging transportation infrastructure. In addition, the Multimodal Transportation Fund that relies on the sales tax on new and used cars, rental car tax, and motor vehicle license fee is not expected to maintain existing levels of revenue.

*Shortage of Revenues for Transit Service*

At the same time, transit agencies across the state are experiencing significant increases in operating costs due primarily to increases in fuel prices. Many transit system operators have no choice but to reduce service if revenues are insufficient to cover costs since transit systems currently rely primarily on local funding. Unfortunately, this reduction in service is coinciding with a significant increase in demand for transit services. This demand is not sufficient to cover the increase in expenses for existing levels of service, much less cover the increased costs of service needed to meet the increased demand. Even before these revenue shortfalls, Washington ranks 22 nationally in transportation funding and 35 in per capita transportation spending.

*Opportunities*

This funding crisis requires urgent action. The immediate issue facing the TIWG is recognizing the challenge of the revenue shortage for WSDOT's transportation infrastructure and operating expenses, and for local transit agencies' ability to provide appropriate levels of service, while recommending appropriate strategies to make progress towards Washington's GHG goals and VMT reduction strategies. Given this challenge and the need for urgent action, the TIWG recognizes two opportunities; first, the TIWG believes it is important for Washington to reconcile this challenge by reexamining how investments in transportation infrastructure and services are made at all levels of government. Second, when Washington states begins pursuing new revenue sources, consider pursuing new revenues that discourage what we don't want (e.g. carbon), instead of what we do want (e.g., sales).

*Reexamining investments strategically to leverage what we have*

In response to the need for congestion relief, WSDOT is proposing adjustments in investment capacity consistent with the strategies outlined in its recently issued 10-year "Moving Washington" vision of investments and priorities. The Moving Washington program addresses traffic congestion and mobility in urban corridors and across the state. Moving Washington strategies call for adding capacity strategically to optimally use limited resources, operating efficiently to get the most out of the infrastructure, and managing demand to give businesses and citizens a range of options to meet their transportation needs. The TIWG supports the focus of Moving Washington, and believes that Washington's transportation investments and operations should also be guided by the addition of GHG and VMT reduction targets to make sufficient progress in reducing GHG from the transportation sector.

*New Revenue Sources*

In addition to making systemic improvements in the allocation of available capital to meet all the existing objectives of Washington's transportation sector, Washington needs a funding approach to transportation that generates revenue sufficient to provide those options - including transit - that are essential to meeting Washington's GHG goals and VMT reduction strategies. The current local and state transportation sources are not adequate or stable. The gas tax cannot supply revenue to support increased local transit even if the state were to choose to develop these transportation options to meet the GHG goals and VMT reduction strategies. The TIWG believes that structuring additional transportation funding options around user fees other than the gas tax provides the most promising opportunity to generate future revenue for system improvement, operation, and maintenance; influence travel behavior through reduced demand for single occupancy vehicle (SOV) capability; and support the creation of transportation options, i.e. transit and other forms of non-SOV travel. The Climate Action Team (CAT), in last year's report, identified a series of revenue tools for the legislature to consider. The TIWG is providing specific recommendations for only one of the revenue tools identified by the, transportation pricing. However, the TIWG recognizes that the original list remains relevant and contains revenue tools that warrant further consideration.

User Fees:
- Tolls and/or congestion/value pricing
- Fuel efficiency / Carbon emissions tax
- Commercial and municipal parking fees
- Vehicle-miles-traveled or odometer tax

Local Option Taxes:
- Local option gross weight fee
- Tax Increment Financing
- Local option gas tax

Statewide Revenue Sources:
- Sales tax on gas
- Indexing of the state gas tax
- Petroleum transfer fees

*Recommendations*

The TIWG supports the focus of Moving Washington and recommends that Washington State should improve its approach in selecting transportation investments and operations by explicitly including strategies that make progress toward the state's GHG and VMT reduction targets. In order to continue to invest strategically in our transportation system and to ensure that climate change considerations are integrated into the decision-making process, Washington needs to enhance its revenue options for transportation.